

# Rubin & Hays

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September 27, 2004

RECEIVED  
SEP 28 2004  
PUBLIC SERVICE  
COMMISSION

Ms. Beth O'Donnell, Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602

Re: Muhlenberg County Water District PSC Application

Dear Ms. O'Donnell:

2004-00381

Enclosed please find the original and ten (10) copies of the Application of the Muhlenberg County Water District for an Order authorizing the issuance of securities pursuant to KRS 278.300.

This Application requests approval of the issuance of securities for the purpose of refunding certain high interest Bonds of the Applicant. **Due to the extreme volatility of the financial markets and the fact that this refunding is interest rate sensitive, we request that the Commission process the Application in an expedited manner and issue an Order on or before October 19, 2004 (the date set for closing the securities).**

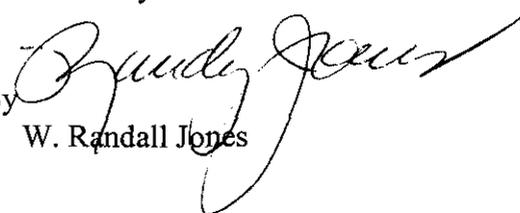
Thank you for your assistance and if you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By

W. Randall Jones



WRJ:jlm  
Enclosures

cc: Ms. Becky Wright, Muhlenberg County Water District

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

FILED  
SEP 28 2004  
PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF MUHLENBERG COUNTY )  
WATER DISTRICT TO ISSUE SECURITIES )  
IN THE APPROXIMATE PRINCIPAL AMOUNT )  
OF \$1,856,000 FOR THE PURPOSE OF REFUNDING ) CASE NO. 2004-00381  
CERTAIN OUTSTANDING REVENUE BONDS OF )  
THE DISTRICT PURSUANT TO THE PROVISIONS )  
OF KRS 278.300 AND 807 KAR 5:001 )

\*\* \*\*\* \*\*\*\* \*\*\*\*\* \*\*\*\* \*\*\* \*\*

APPLICATION

The Applicant, Muhlenberg County Water District (the "District"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the District to issue certain securities in the approximate principal sum \$1,856,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding water system revenue bonds of the District. In support of this Application, and in compliance with the rules and regulations of the Commission, the District states as follows:

1. The District was established in accordance with the provisions of Chapter 74 of the Kentucky Revised Statutes pursuant to an Order of the County Judge/Executive of Muhlenberg County, which Order is on file in the County Court Order Books in the office of the Clerk of Muhlenberg County, Kentucky. The District is now, and has been since its inception, regulated by the Commission, and all records and proceedings of the Commission with reference to the District

are incorporated in this Application by reference. The District does not have any Articles of Incorporation due to the fact that it is a statutory entity.

2. The governing body of the District is its Board of Commissioners which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS 74.070 and all applicable law and regulations.

3. The mailing address of the District is as follows:

Muhlenberg County Water District  
c/o Ms. Becky Wright, Manager  
P.O. Box 348  
Greenville, Kentucky 42345  
Telephone: (270) 338-1300

4. A general description of the District's water system property, together with a statement of the original cost, is contained in the District's Annual Report for 2003 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The District proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an Assistance Agreement (the "2004 Loan"), in the estimated principal amount of \$1,856,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as the Muhlenberg County Water District Water System Refunding Revenue Bonds, Series 1995, dated October 1, 1995, in the original principal amount of \$2,355,000 (the "Prior Bonds"). Said Prior Bonds are currently held by in the open market and bear interest at the rates set forth in Exhibit D referred to below.

6. The estimated debt service for the 2004 Loan is shown in **Exhibit A**, which is attached hereto and incorporated herein by reference. The debt service schedule and estimated interest rates are subject to change because of market conditions. The final terms and details of the

2004 Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The 2004 Loan will provide the District with the funds necessary to (i) refund the Prior Bonds; and (iii) pay the fees and expenses incident to the issuance of the 2004 Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the 2004 Loan are detailed as **Exhibit B**, which is attached hereto and incorporated herein by reference.

9. It is anticipated that the proposed refinancing will result in total gross savings of approximately \$507,291.07, which represents a net present value savings of \$325,965.36. These savings are shown on the Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit C**.

10. The final principal amount of the 2004 Loan will be adjusted, based upon final interest rates which will be known on or about September 28, 2004, in order to provide funds sufficient to redeem, in full, the Prior Bonds. Final financial figures will be submitted to the Commission in a timely manner. The Applicant will not issue the securities if interest rates in the bond market shift to a point where the Applicant will not achieve any savings.

11. The Debt Service Schedule of the outstanding Prior Bonds being refunded is set forth in **Exhibit D**.

12. The District represents that the 2004 Loan is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the District by producing substantial debt service savings. This is a lawful object within the corporate purposes of the District's utility operations. The 2004 Loan is necessary, appropriate for, and consistent with the proper performance by the District of its service to the public and will not impair its ability to perform that service.

13. The District represents that it will, as soon as reasonably possible after the closing of the 2004 Loan, file with the Commission a statement setting forth the date of issuance of the 2004 Loan, the price paid, the fees and expenses incurred in the issuance of the 2004 Loan, and the terms and interest rates of the 2004 Loan.

14. The detailed Statement of Revenue, Expenses and Changes in Fund Balances, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2003 are attached hereto and incorporated herein by reference as **Exhibit E** respectively.

15. The remaining financial schedules and other information necessary for the Financial Exhibit required by 807 KAR 5:001, Section 6 and Section 11 (2) (a) are contained in the 2003 Annual Report which is on file with the Commission. The Annual Report is incorporated herein by reference.

16. Pursuant to 807 KAR 5:001, the District hereby responds as follows:

- (a) Section 6(4) Mortgages: The District does not have any mortgages in effect as of the date hereof.
- (b) Section 6(5) Bonds: The 2004 Loan will be secured by a pledge of the revenues of the District's System.
- (c) Section 11(2)(b): The District does not have any trust deeds in effect as of the date hereof.
- (d) Section 11(2)(c): No property is being acquired as the proceeds of the securities are being used for the refunding of the Prior Bonds.

17. The District hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial data filed with the Application be for a twelve (12) month period ending within

ninety (90) days of the filing of the application. The District states that there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2003. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2003. This is the most recent published financial data available. Because of the volatility of the bond market, the District cannot run the risk of delaying the closing of the 2004 Loan while more current financial data is compiled. Also, the refunding of the Prior Bonds will save the District significant revenues thus improving the District's financial position.

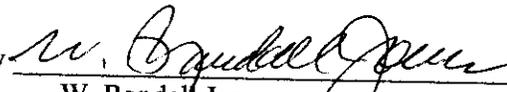
18. No rate adjustment will be necessary.

**WHEREFORE**, the District respectfully requests that the Commission take the following actions:

1. Authorize the issuance of the securities requested in the Application prior to the closing date of **October 19, 2004**;
2. Grant the District a deviation, to the extent necessary, from 807 KAR 5:001, Section 6 to allow the submission of the District's 2003 Annual Report and 2003 Audit in lieu of more recent financial data, there being no material change in the data in 2004 and due to the volatility of the present bond market; and
3. Process this Application without a formal hearing in order to save time and expense.

The District will promptly respond to any inquiries or information requests by the Commission's staff.

RUBIN & HAYS

By   
W. Randall Jones  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202  
Phone: (502) 569-7525  
Fax: (502) 569-7555  
Counsel for Muhlenberg County  
Water District

STATE OF KENTUCKY            )  
  ) SS  
COUNTY OF MUHLENBERG    )

The affiant, Bobby Creager, being first duly sworn, states: That he is the Chairman of the Muhlenberg County Water District, the Applicant in this case; that he has read the foregoing Application and has noted the contents thereof; that the same are true of his own knowledge and belief, except as to matters which are herein stated to be based on information or belief, and that these matters, he believes to be true and correct.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 23 day of September, 2004.

  
Bobby Creager, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Bobby Creager, Chairman of the Muhlenberg County Water District, on this the 23 day of September, 2004.

My Commission expires: 4-24-08.

  
NOTARY PUBLIC



**\$1,856,000**

Muhlenberg County Water District  
Kentucky Rural Water Finance Program  
Flexilbe Term Finance Program

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+i
02/01/2005	40,000.00	1.730%	21,825.93	61,825.93
08/01/2005	-	-	32,392.90	32,392.90
02/01/2006	60,000.00	1.950%	32,392.90	92,392.90
08/01/2006	-	-	31,807.90	31,807.90
02/01/2007	112,000.00	2.290%	31,807.90	143,807.90
08/01/2007	-	-	30,525.50	30,525.50
02/01/2008	116,000.00	2.650%	30,525.50	146,525.50
08/01/2008	-	-	28,988.50	28,988.50
02/01/2009	114,000.00	2.940%	28,988.50	142,988.50
08/01/2009	-	-	27,312.70	27,312.70
02/01/2010	118,000.00	3.160%	27,312.70	145,312.70
08/01/2010	-	-	25,448.30	25,448.30
02/01/2011	122,000.00	3.390%	25,448.30	147,448.30
08/01/2011	-	-	23,380.40	23,380.40
02/01/2012	126,000.00	3.560%	23,380.40	149,380.40
08/01/2012	-	-	21,137.60	21,137.60
02/01/2013	136,000.00	3.720%	21,137.60	157,137.60
08/01/2013	-	-	18,608.00	18,608.00
02/01/2014	140,000.00	3.830%	18,608.00	158,608.00
08/01/2014	-	-	15,927.00	15,927.00
02/01/2015	144,000.00	3.940%	15,927.00	159,927.00
08/01/2015	-	-	13,090.20	13,090.20
02/01/2016	152,000.00	4.040%	13,090.20	165,090.20
08/01/2016	-	-	10,019.80	10,019.80
02/01/2017	156,000.00	4.120%	10,019.80	166,019.80
08/01/2017	-	-	6,806.20	6,806.20
02/01/2018	164,000.00	4.210%	6,806.20	170,806.20
08/01/2018	-	-	3,354.00	3,354.00
02/01/2019	156,000.00	4.300%	3,354.00	159,354.00
<b>Total</b>	<b>\$1,856,000.00</b>	<b>-</b>	<b>\$599,423.93</b>	<b>\$2,455,423.93</b>

### Yield Statistics

Accrued Interest from 10/01/2004 to 10/19/2004	3,273.89
Bond Year Dollars	\$15,558.67
Average Life	8.383 Years
Average Coupon	3.8526690%
Net Interest Cost (NIC)	4.0316047%
True Interest Cost (TIC)	4.0472812%
Bond Yield for Arbitrage Purposes	4.3446958%
All Inclusive Cost (AIC)	4.3620363%

### IRS Form 8038

Net Interest Cost	3.8546177%
Weighted Average Maturity	8.333 Years



**\$1,856,000**

Muhlenberg County Water District  
Kentucky Rural Water Finance Program  
Flexilbe Term Finance Program

## Sources & Uses

Dated 10/01/2004 | Delivered 10/19/2004

### Sources Of Funds

Par Amount of Bonds	\$1,856,000.00
Accrued Interest from 10/01/2004 to 10/19/2004	3,273.89
Transfers from Prior Issue Debt Service Funds	79,112.50
Transfers from Prior Issue DSR Funds	180,000.00
<b>Total Sources</b>	<b>\$2,118,386.39</b>

### Uses Of Funds

Total Underwriter's Discount (1.500%)	27,840.00
Costs of Issuance	31,732.00
Gross Bond Insurance Premium ( 29.0 bp)	7,120.73
Deposit to Debt Service Fund	3,273.89
Deposit to Current Refunding Fund	2,046,535.32
Rounding Amount	1,884.45
<b>Total Uses</b>	<b>\$2,118,386.39</b>



**\$1,856,000**

Muhlenberg County Water District  
Kentucky Rural Water Finance Program  
Flexilbe Term Finance Program

## Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
12/30/2004	-	-	-	-
12/30/2005	94,218.83	94,218.83	174,525.00	80,306.17
12/30/2006	124,200.80	124,200.80	175,537.50	51,336.70
12/30/2007	174,333.40	174,333.40	176,275.00	1,941.60
12/30/2008	175,514.00	175,514.00	176,737.50	1,223.50
12/30/2009	170,301.20	170,301.20	172,062.50	1,761.30
12/30/2010	170,761.00	170,761.00	172,250.00	1,489.00
12/30/2011	170,828.70	170,828.70	172,162.50	1,333.80
12/30/2012	170,518.00	170,518.00	171,800.00	1,282.00
12/30/2013	175,745.60	175,745.60	176,025.00	279.40
12/30/2014	174,535.00	174,535.00	174,780.00	245.00
12/30/2015	173,017.20	173,017.20	173,200.00	182.80
12/30/2016	175,110.00	175,110.00	176,200.00	1,090.00
12/30/2017	172,826.00	172,826.00	173,780.00	954.00
12/30/2018	174,160.20	174,160.20	175,940.00	1,779.80
12/30/2019	159,354.00	159,354.00	172,680.00	13,326.00
12/30/2020	-	-	174,000.00	174,000.00
12/30/2021	-	-	174,760.00	174,760.00
<b>Total</b>	<b>\$2,455,423.93</b>	<b>\$2,455,423.93</b>	<b>\$2,962,715.00</b>	<b>\$507,291.07</b>

### PV Analysis Summary (Net to Net)

Gross Debt Service Savings	507,291.07
Net PV Cashflow Savings @ 4.362%(AIC)	325,965.36
Accrued Interest Credit to Debt Service Fund	3,273.89
Transfers from Prior Issue Debt Service Fund	(79,112.50)
Contingency or Rounding Amount	1,884.45
<b>Net Benefit</b>	<b>\$433,336.91</b>
Net PV Benefit / \$1,915,000 Refunded Principal	13.160%
Net PV Benefit / \$1,856,000 Refunding Principal	13.578%

### Refunding Bond Information

Refunding Dated Date	10/01/2004
Refunding Delivery Date	10/19/2004



# Muhlenberg County Water District

Series 1995

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
12/31/2004	-	-	-	-
12/31/2005	70,000.00	5.500%	104,525.00	174,525.00
12/31/2006	75,000.00	5.500%	100,537.50	175,537.50
12/31/2007	80,000.00	5.500%	96,275.00	176,275.00
12/31/2008	85,000.00	5.500%	91,737.50	176,737.50
12/31/2009	85,000.00	5.500%	87,062.50	172,062.50
12/31/2010	90,000.00	5.500%	82,250.00	172,250.00
12/31/2011	95,000.00	5.500%	77,162.50	172,162.50
12/31/2012	100,000.00	5.500%	71,800.00	171,800.00
12/31/2013	110,000.00	5.500%	66,025.00	176,025.00
12/31/2014	115,000.00	5.600%	59,780.00	174,780.00
12/31/2015	120,000.00	5.600%	53,200.00	173,200.00
12/31/2016	130,000.00	5.600%	46,200.00	176,200.00
12/31/2017	135,000.00	5.600%	38,780.00	173,780.00
12/31/2018	145,000.00	5.600%	30,940.00	175,940.00
12/31/2019	150,000.00	5.600%	22,680.00	172,680.00
12/31/2020	160,000.00	5.600%	14,000.00	174,000.00
12/31/2021	170,000.00	5.600%	4,760.00	174,760.00
<b>Total</b>	<b>\$1,915,000.00</b>	<b>-</b>	<b>\$1,047,715.00</b>	<b>\$2,962,715.00</b>

### Yield Statistics

Bond Year Dollars	\$18,777.50
Average Life	9.805 Years
Average Coupon	5.5796299%

Net Interest Cost (NIC)	5.5773825%
True Interest Cost (TIC)	5.5733290%
Bond Yield for Arbitrage Purposes	5.5733290%
All Inclusive Cost (AIC)	5.5733290%

### IRS Form 8038

Net Interest Cost	5.5806154%
Weighted Average Maturity	9.798 Years



**MUHLENBERG COUNTY WATER DISTRICT**  
**BALANCE SHEETS**  
**December 31, 2003 and 2002**

	2003	2002
<b>ASSETS</b>		
<u>Current Assets</u>		
Cash	\$ 181,339	\$ 291,834
Accounts Receivable, Net of Allowance for Uncollectible Amounts (Note 1)	7,303	31,864
Due from Grant - Ky. State Treasurer (Note 10)	68,074	-0-
Inventory - At Cost (Note 1)	62,443	55,945
Prepaid Expenses - Insurance (Note 1)	2,578	1,890
	321,737	381,533
<b>TOTAL CURRENT ASSETS</b>		
<u>Restricted Assets</u>		
Bond and Interest Fund (Notes 1, 3)	270,234	258,065
Depreciation Fund (Note 1)	158,303	162,328
Deposit Fund (Note 1)	127,010	115,327
	555,547	535,720
<b>TOTAL RESTRICTED ASSETS</b>		
<u>Property, Plant, and Equipment (Note 2)</u>		
Land	27,152	27,152
Buildings and Office	680,742	680,184
Water System	8,807,104	8,699,322
Office Furniture and Equipment	161,765	160,255
Vehicles and Equipment	667,026	602,622
Work in Progress (Note 10)	65,211	51,298
	10,409,000	10,220,833
Less Accumulated Depreciation	4,527,665	4,269,290
	5,881,335	5,951,543
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>		
<u>Other Assets</u>		
Unamortized Debt Discount, Issuance Costs (Note 1)	67,914	72,147
Unamortized Rate Case Costs (Note 1)	16,000	24,000
	83,914	96,147
<b>NET OTHER ASSETS</b>		
<b>TOTAL ASSETS</b>	\$ 6,842,533	\$ 6,964,943

See accompanying notes to the financial statements.

MUHLENBERG COUNTY WATER DISTRICT  
BALANCE SHEETS  
 December 31, 2003 and 2002

	2003	2002
<b>LIABILITIES AND FUND EQUITY</b>		
<u>Current Liabilities (Payable from Current Assets)</u>		
Trade Accounts Payable	\$ 132,966	\$ 78,893
Customer Deposits	127,750	116,202
<b>TOTAL</b>	260,716	195,095
<u>Current Liabilities (Payable from Restricted Assets)</u>		
Current Portion of Bond Obligations	189,000	180,000
<b>TOTAL CURRENT LIABILITIES</b>	449,716	375,095
<u>Long-Term Liabilities - (Note 3)</u>		
Bonds Payable (Net of Current Portion)	3,124,000	3,313,000
<b>TOTAL LIABILITIES</b>	3,573,716	3,688,095
<b>FUND EQUITY</b>		
Total Contributed Capital (Note 1)	3,863,039	3,719,435
Fund Balance <Deficit>	< 594,222>	< 442,587>
<b>TOTAL FUND EQUITY</b>	3,268,817	3,276,848
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	\$ 6,842,533	\$ 6,964,943

See accompanying notes to the financial statements.

**MUHLENBERG COUNTY WATER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES**  
**For The Years Ended December 31, 2003 and 2002**

	2003	2002
	-----	-----
<b>OPERATING REVENUES</b>		
Water Sales	\$ 2,174,283	\$ 2,152,665
Other Operating Revenues	74,301	73,613
	-----	-----
<b>TOTAL OPERATING REVENUES</b>	<b>2,248,584</b>	<b>2,226,278</b>
	-----	-----
<b>OPERATING EXPENSES</b>		
Source of Supply Expenses	659,648	657,398
Pumping Expenses	59,108	52,732
Water Treatment Expenses	10,158	8,741
Transmission and Distribution Expenses	413,854	386,283
Customer Accounts Expenses	124,961	103,608
Administrative and General Expenses	632,946	534,295
Depreciation (Note 1)	269,070	281,519
Taxes	49,924	44,404
	-----	-----
<b>TOTAL OPERATING EXPENSES</b>	<b>2,219,669</b>	<b>2,068,980</b>
	-----	-----
<b>OPERATING INCOME &lt;LOSS&gt;</b>	<b>28,915</b>	<b>157,298</b>
	-----	-----
<b>NONOPERATING REVENUES &lt;EXPENSES&gt;</b>		
Interest Revenue	17,178	22,794
Interest on Long Term Debt	< 184,676 >	< 192,637 >
Other Interest	< 819 >	< 1,062 >
Amortization of Debt Discount, Rate Case Expenses	< 12,233 >	< 12,233 >
	-----	-----
<b>TOTAL NONOPERATING REVENUES &lt;EXPENSES&gt;</b>	<b>&lt; 180,550 &gt;</b>	<b>&lt; 183,138 &gt;</b>
	-----	-----
<b>NET REVENUES &lt;LOSS&gt;</b>	<b>&lt; 151,635 &gt;</b>	<b>&lt; 25,840 &gt;</b>
	-----	-----
<b>FUND BALANCE - January 1, &lt;Deficit&gt;</b>	<b>&lt; 442,587 &gt;</b>	<b>&lt; 416,747 &gt;</b>
	-----	-----
<b>FUND BALANCE - December 31, &lt;Deficit&gt;</b>	<b>\$ &lt; 594,222 &gt;</b>	<b>\$ &lt; 442,587 &gt;</b>
	=====	=====

See accompanying notes to the financial statements.

**MUHLENBERG COUNTY WATER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
For The Years Ended December 31, 2003 and 2002

	2003	2002
	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 2,273,145	\$ 2,225,660
Cash payments for goods and services	1,903,712	1,824,062
	-----	-----
Net Cash Provided by Operating Activities	369,433	401,598
	-----	-----
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of Fixed Assets	< 198,862>	< 167,959>
Increase <Decrease> in Customer Deposits	11,548	12,771
Retirement of Bonds Payable	< 180,000>	< 173,000>
Interest Expense	< 185,495>	< 193,699>
Construction Contributions, Grants	75,530	106,680
	-----	-----
Net Cash <Used> for Capital and Related Financial Activities	< 477,279>	< 415,207>
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on Investments	17,178	22,794
	-----	-----
Net Cash Provided by Investing Activities:	17,178	22,794
	-----	-----
<b>NET INCREASE &lt;DECREASE&gt; IN CASH</b>	< 90,668>	9,185
<b>CASH AND RESTRICTED CASH, January 1</b>	827,554	818,369
	-----	-----
<b>CASH AND RESTRICTED CASH, December 31</b>	\$ 736,886	\$ 827,554
	-----	-----

See accompanying notes to the financial statements.

**MUHLENBERG COUNTY WATER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended December 31, 2003 and 2002**

	2003	2002
	-----	-----
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Income <Loss>	\$ 28,915	\$ 157,298
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation	269,070	281,519
 <b>CHANGES IN ASSETS AND LIABILITIES</b>		
<Increase> Decrease in Accounts Receivable	24,561	< 618>
<Increase> Decrease in Inventory	< 6,498>	7,408
<Increase> Decrease in Prepaid Expense	< 688>	1,278
Increase <Decrease> in Accounts Payable	54,073	< 45,287>
 <b>TOTAL ADJUSTMENTS</b>	----- 340,518	----- 244,300
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	----- \$ 369,433 =====	----- \$ 401,598 =====

See accompanying notes to the financial statements.



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SEP 28 2004  
PUBLIC SERVICE  
COMMISSION

ATTORNEYS AT LAW  
**Rubin & Hays**  
Kentucky Home Trust Bldg., 450 South Third St., Louisville, KY 40202

To Ms. Beth O'Donnell  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602